MARKETWATCH

Wal-Mart to Sell Arts & Crafts Chain

IRVING, Texas — Wal-Mart reached an agreement with Michaels Stores here to sell its Helen's Arts & Crafts stores division for an undisclosed price. According to the agreement, Michaels will acquire the three-store chain in a cash transaction on April 30. The transaction is subject to the execution of a definite agreement, customary closing conditions and third-party consents. In a speech to retail analysts last fall, former Wal-Mart chief financial officer Jack Shewmaker tipped off the possible disposition of the arts and crafts chain while noting that Wal-Mart intended to devote its attention to other vehicles with more growth potential, such as its wholesale clubs and hypermarkets.

K mart to Open DC in Dallas Trade Area

TROY, Mich. — K mart reported recently that it will open a 500,000-square-foot distribution center and warehouse in the Foreign Trade Zone on the perimeter of the Dallas/Fort Worth Airport. The Foreign Trade Zone is a duty-free industrial complex. The facility, which should begin construction in June and open by early 1989, can be expanded by 200,000 square feet, a spokeswoman said. The facility will be used for K mart's import division.

Jack Shewmaker Named to Vons Board

EL MONTE, Calif. — Jack Shewmaker, former vice chairman and chief financial officer of Wal-Mart Stores, has been named to the board of directors of Vons grocery company. The 193-store Southern California chain said Shewmaker's retail and supermarket experience will be an additional asset to Vons' board. Although Shewmaker remains on Wal-Mart's board of directors, he announced his retirement from the Bentonville, Ark.-based discounter on Feb. 1.

ShopKo Joins Billion Dollar Sales Club

MINNEAPOLIS — ShopKo reached the $1 billion sales mark in fiscal 1987 for the first time, contributing to parent company Super Valu's sales total of $9.4 billion for the year ended Feb. 27, 1988. Mike Wright, chairman and chief executive officer of Super Valu, said ShopKo's performance was "phenomenal." During the year, the discounter added 10 sites, bringing it to a total of 75 units. ShopKo plans 12 more stores this year. Companywide results for the predominately food operator showed Super Valu's earnings increased 25 percent to $111.8 million as sales increased 3.4 percent. In the fourth quarter sales decreased slightly to $2.24 billion compared to $2.27 billion in the same period last year, but the company pointed out that there was an extra week in last year's fourth quarter. Earnings for the period grew 11.1 percent to $31.5 million.

'Undervalued' Zayre Stock Rises

FRAMINGHAM, Mass. — Zayre Corp. stock has been climbing amid speculation that real estate developer Edward J. DeBartolo Jr., who owns a sizable but undisclosed stake in Zayre, is pressuring management to take steps to maximize shareholder value. Industry speculation has the Zayre board possibly repurchasing shares to fend off raiders, which would include DeBartolo and the Bass family. A Zayre spokesman would not comment to *DSN* on any actions the board might take. According to a wire service report, a spokesman for DeBartolo said that Zayre Corp. stock is "extremely undervalued" and urged Zayre management to "take the bull by the horns" and begin steps to maximize shareholder value. Zayre closed up ¾ to 25¼ on April 14, with over 3 million shares traded on April 13 and 14. The DeBartolo spokesman said Zayre is worth at least $37 a share on fundamentals, but that the stock has been hurt by the poor performance of Zayre's general merchandise discount stores, which he called "a terrible drain" on earnings. Zayre posted a $13.9 million operating loss in the year ended Jan. 31, 1988, compared with a $129.9 operating profit the prior year.

Tuesday Morning Eyes Restructuring

DALLAS — Closeouter Tuesday Morning has hired Alex. Brown & Sons, an investment banking firm, to advise the retailer's board on "strategic alternatives to maximize shareholders value." These include a possible sale or merger of the 93-store chain with another company, buying another business, a buy-back of the $73 million retailer's stock, or a leveraged buyout by investors that could include current senior management.

FOR THE RECORD

A photograph on page 87 of the March 28 issue of *DSN* depicted a K mart book department. The caption incorrectly identified the department as a Readers Market format.

Andersons Parent Sells Fertilizer Biz To Fund Store Expansion Program

In part to fund expansion, as at this Columbus, Ohio, unit, The Andersons sold its Greensweep lawn fertilizer line. (DSN photo)

MAUMEE, Ohio — In part to raise capital for store expansion, the parent company of The Andersons has sold its Greensweep hose-on lawn fertilizer line to the Monsanto Co. for an undisclosed sum.

The Andersons operates four stores in Ohio, two each in Columbus and Toledo, and one in Delphi, Ind. On Sept. 1, it is set to open a sixth unit in Northwood, a Toledo suburb.

The Greensweep line generates revenues of $50 million for The Andersons Management Corporation, parent of The Andersons General Store chain, said Richard Raleigh, marketing manager for its lawn and garden division.

Monsanto is better financed to develop the potential of the Greensweep line, said Mary Collins, an Andersons spokeswoman, while The Andersons will use its resources and proceeds of the sale to focus on its core businesses: grain sales, agricultural products and fertilizer and retail operations.

The parent company will continue to produce private label granular lawn fertilizers for such retailers as K mart, Raleigh said. Of 1987 revenues of about $600 million, retail store sales totaled "in excess of $100 million," he said.

The Andersons hasn't settled on the number of stores it plans to build during the rest of the '80s, Raleigh said. For now, it is concentrating on developing the profit potential of existing units, he said.

In its new Toledo store, The Andersons is trying a new tack, serving as a mall anchor at the Woodville Mall, Collins said. The Andersons will test that new concept before setting its future expansion course, she said.

Despite their farm origins, The Andersons stores now derive 90 percent of their sales from urban customers, Collins said. All store departments offer do-it-yourself advice at service desks.

The Andersons is a privately-held company headed by Richard P. Anderson.

Dart Group Sets Sights on Woolworth

Retailer Swallows Poison-Pill Defense

NEW YORK — The Dart Group declines to comment on whether it intends to attempt a takeover of F.W. Woolworth, the sixth major retailer it has set its sights on in the three years since it sold its Dart discount drug chain.

Woolworth, which has diversified heavily into specialty retailing, ranging from Footlocker (shoes) to Champs (sporting goods), disclosed that Dart has filed for federal approval to buy as much as 15 percent of Woolworth.

In response, Woolworth adopted the same sort of poison-pill defense that helped foil Dart's efforts to take over Stop & Shop, Bradlees' parent. In the event of a hostile takeover, Woolworth stockholders would be given the right to buy stock at half price.

Dart, controlled by Herbert Haft and his son, Robert, lost a Stop & Shop takeover bid earlier this year when management took the company private in a $1.23 billion leveraged buyout.

Woolworth thus joins May Department Stores, Beatrice, Safeway, Supermarkets General, Dayton Hudson and Stop & Shop as Haft targets.

With the exception of a $67 million loss on Dayton Hudson stock following last October's market crash, the Hafts have made hundreds of millions on investing in the stock of target companies. Dart operates two discount chains, Trak Auto and Crown Books.

Following the usual pattern, Woolworth stock jumped about $9 a share to $54.13 April 4, the day it announced the Hafts' interest. The Hafts own less than 5 percent of the 64.3 million Woolworth shares outstanding. At that price, the market values Woolworth at $3.49 billion.

Woolworth announced sales of $7.13 billion in the year ended Jan. 31, 1988 and net income of $251 million. That compares with $6.5 billion and $214 million in 1987. Specialty retailing accounted for 53.2 percent of operating income in 1987. Woolworth has set a goal of 65 percent by 1991.

K mart Concludes Hamburger Test

CANTONVILLE TOWNSHIP, Mich. — Customers will be asking, "Where's the beef?" at the K mart store here in suburban Detroit.

Wendy's International this month closed its fast-food restaurant located in the K mart discount store here, shutting the door on a three-year test by the two companies.

K mart will convert the space back to unspecified general merchandise, according to a company spokeswoman. Neither K mart nor Wendy's could determine how many square feet would be returned to retail display space.

The restaurant was opened on Nov. 18, 1985. It was a one-store experiment that both retailers report was successful.

"We were satisfied from the results and learned what we wanted to learn from it," said Denny Lynch, vice president, communications at Wendy's, noting that the Dublin, Ohio-based restaurateur is turning its attention to introducing new products rather than establishing restaurants in non-traditional outlets. He did not rule out the possibility of establishing Wendy's restaurants at other retailers, including K mart, in the future.

The conclusion of the test comes on the heels of a similar arrangement between Sears and McDonald's.

IN THIS ISSUE

APPAREL 13

Kids "R" Us Goes West for Explosive Growth 13

HOME PRODUCTS 17

Electric Shavers Sharpen Appeal to Women 17
Camera Vendors Turn to "Tweens" Market 17

HARD LINES 23

Cosmetics Chain Cuts Prices, Not Service 23

DEPARTMENTS

Classified 24
Columns:
Catalog Showrooms 4
IMRA President's Corner 6
Prevention Pays 9
Washington Report 6
Editorial 6
Finance Watch 27
Manufacturer News:
Home Products 20

Home Products

Electric Shavers Sharpen Approach to Women

Nationwide DSN Report

Technological advancements in personal shavers in addition to increased advertising schedules are expected to drive the sales of electric shavers this year and possibly sharpen the appeal of the category for discounters.

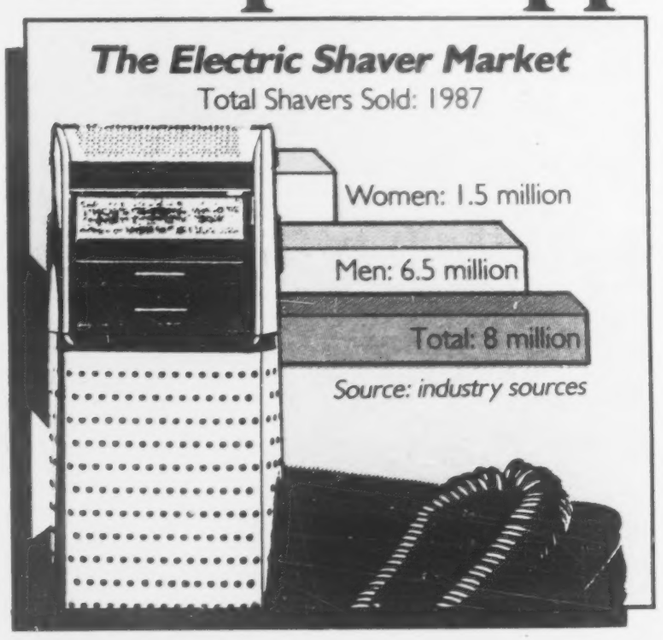
The effects could be most dramatic in the ladies' shaver business which has the most potential for growth.

Only about 5 percent of all women who shave use an electric shaver, sources said, compared to about 30 percent of men who use electric shavers some or part of the time.

Manufacturers are trying to elevate those percentages by introducing a host of new products which they claim will offer users not only a close shave without nicks and cuts, but also products that complement their lifestyle, such as rechargeables, battery-operated, wet/dry shavers and travel-size models.

Companies such as Braun, Norelco and Panasonic, three of the four largest manufacturers in this category, report they will advertise more heavily in 1988 than in 1987 to help broaden the appeal of their shavers.

What's unusual about the recent developments is, that while the ladies' shaver market is just a mere shadow of the men's market, manufacturers have developed new merchandise for both segments and plan to advertise them almost equally as part of their beefed-up national ad schedules.



But electric shavers—corded, rechargeables and battery-operated—are essentially a men's product business. Of the 8 million shavers sold last year, between 6.5 million and 7 million units were for men while only about 1 million to 1.5 million units were for women, according to industry sources.

Nationally, electric shaver sales are flat, but a few discounters reported sales increases last year, among them Price Savers Wholesale Warehouse Club and Allied Wholesale Distributors, operators of Key Catalog Showrooms.

In fact, shaver sales at these two companies rose 30 percent and 20 percent respectively, something the two operators attribute to increased store traffic, low prices and increased ad schedules by manufacturers.

Gross margins, however, in this category remain very low due to intense competition. Discounters tend to rely on accessories such as replacement heads and shaving cream to bolster profits.

Electric shavers are generally priced from $20 to $70 with the most popular price point at about $40, sources reported.

Shavers are essentially a December/May business, for Christmas and Mother's/Father's Day. And advertising is usually reserved for these two times of the year only.

The largest segment of the electric shaver market, about 65 percent last year, is in rechargeables, which are expected to total 70 percent of the shaver market this year. Discounters are hopeful that both the new products promised for this spring and fall and the beefed-up ad schedules lure consumers into making a purchase.

"I'll let my customers tell me how strong they [the new products] are," said Jim Loupe, buyer for Rochester, N.Y.-based The Present Co. "I'm a show-me person."

Loupe, however, like other discounters, will alter his shaver mix to reflect the new product introductions. When all the new shavers are released, The Present Co. will add two battery models and a wet/dry shaver to the three sku's it currently stocks in ladies models.

This fall, Key Catalog Showrooms will add two wet/dry shaver models by Panasonic, to accommodate consumer requests for the products, said Carl Sweat, vice president, merchandising.

But companies such as Chapin Inc., operators of Gibson Discount Centers, and Price Savers Wholesale Warehouse Club, will not alter their merchandise mixes a great deal, they reported.

Bob Nau, buyer for Chapin, said he will remain selling his one, corded sku in ladies' shavers and adjust his

(Continued on page 20)

Camera Vendors Turn to 'Tweens' For Profit Increases

Nationwide DSN Report

With margins on most photo products dropping, the battle to increase frame consumption, and thereby profits, has heated up.

The latest target is the youth of America. Or, more specifically, so-called "tweens," those between the ages of 8 and 14.

But, while manufacturers are producing a wave of products designed to appeal to the younger set, some discount store buyers are skeptical that the teenybopper market holds much potential for increased sales and profits.

"A lot of vendors are chasing very little business," said Dave Quillo, photo buyer for St. Louis-based discounter Grandpa Pigeon's, of manufacturers' efforts to cultivate the kiddie market.

Polaroid has come out swinging with its Cool Cam, a mid-price instant camera which it is marketing in pastel pink and blue, as well as red and black. What makes this product distinct from other Polaroid products in roughly the same price range is the way it's promoted; the company has tied in with MTV, the popular music video cable outlet, and its mall-roving Museum of Unnatural History.

Vendors and some buyers see cheaper cameras as a way to tap the teen market. (DSN photo)

Malls and MTV are potent vehicles for reaching the pre- and young-teen market. "Malls are the new backyard," said Rod King, Polaroid marketing manager. "Next to their homes, it's the place where young kids spend most of their time."

Operating on that theory, MTV (which already owns a healthy chunk of those kids' at-home time) put together its Museum project, a collection of rock 'n' roll memorabilia, videos and activities which tour the country's malls, not unlike a major rock and roll tour. "We even have Huey Lewis and the News' road crew handling the tour," said Bob Friedman, MTV Networks' vice president, promotion and marketing. "And we're promoting it just like a tour, with local radio and print involvement, as well as national and local MTV publicity." The museum is a blend of music, fashion, style, technology and video, and includes make-your-own video and music tracks, as well as performances by national acts and appearances by actors and other celebrities.

Polaroid will sponsor a booth in the New Music portion of the Museum, loaning out cameras and taking kids' pictures

(Continued on page 19)

MARKETWATCH

MOORESTOWN, N.J. — This year's **Juvenile Products Show**, held Nov. 13 to 16 at the Dallas Market Center's Apparel Mart, has been expanded to include juvenile-related items previously excluded. "We've added 30,000 square feet of space . . . so we've been able to relax some of the past restrictions on what could and could not be exhibited," said William MacMillan, exec director, Juvenile Products Manufacturers Assn.

* * *

CHICAGO — The **National Housewares Manufacturers Association** will be attending the International Housewares Fair in Tokyo, June 13 to 15, 1988. To date, 21 NHMA members will be part of the trade mission. Selfix, Regal Ware, Northern Electric and Wahl Clipper are among those which will be exhibiting. Revere and Mr. Coffee are two manufacturers visiting the convention as part of the trade mission.

* * *

SAN FRANCISCO — A new division for **home organization products** will be added to next year's San Francisco Gourmet Show. Starting in April 1989, the new home organization section will include vendors showing storage and home organization merchandise, such as wall grids, closet organizers, stackable containers, shelving, flip-top bins, storage cabinets, file drawers, modular units, baskets and utility racks. The San Francisco Gourmet Show, including Gourmet Products, In Style, and the Home Organization section, will be held April 23 to 26, 1989, at the Moscone Center. For information: George Little Management, 1902 Van Ness Avenue, San Francisco, Calif. 91409, or call (415) 474-2300.

* * *

DES MOINES, Iowa — Despite pressure from K mart and other retailers, manufacturers might want to think twice about eliminating **rebates**, a *Better Homes & Gardens* study released last month indicated. Nearly 65 percent of those responding to a subscriber survey said that rebates were either "extremely important or somewhat important" when deciding which brand of product to buy. One-fourth said they often wait for the manufacturer to resume a rebate program before buying a product, if they know the item usually carries a rebate. Regardless of the degree to which rebates influence purchase decisions, over 50 percent said they often do not actually redeem the rebate due to the mechanics of mailing in a rebate. Thirty-five percent said they are seldom or never discouraged and almost always take advantage of the rebate offer. B&D, Clairol, Toastmaster and other large manufacturers of kitchen and personal care small electric appliances have discontinued rebates due primarily to pressure from retailers, who have determined that the clerical work involved in keeping rebate coupons organized and available to the consumer costs them more than the additional sales rebates might generate.

HOME PRODUCTS

Shop TV Adds Video Titles

LOS ANGELES — Add pre-recorded videocassettes to the products that the Shop Television Network features during the 30-minute Electronics Plus Video merchandising segments that are regularly broadcast by the teleshopper. STN, which is partly owned by J.C. Penney, features Paramount Home Video movies on the videocassettes program which airs twice a day. Other merchandise is shown on the other Electronics Plus Video segments.

Electric Shavers Sharpen Approach to Women

(Continued from page 17)

men's shaver line to reflect manufacturer model changes.

Price Savers doesn't stock ladies' shavers at all, except during the Christmas selling season when the retailer may increase its sku count, from the one, corded sku the chain normally carries, said Phil Sutterfield, vice president of merchandising.

In addition, the chain stocks no accessories, he said. But Sutterfield said he will look at the new technology and welcomes the increased advertising by manufacturers.

Discount stores constitute the largest retail segment for shaver manufacturers because of the broad customer base, followed by catalog showrooms and then drug store chains.

The biggest obstacle facing shaver manufacturers is convincing blade users that they can get a risk-free, close shave with the electric models.

"Shaving is something that is not fun for men or women. We offer something easier and less painful to use," said B.J. Cornstubble, president of the Dallas-based firm of Freedom Blade, manufacturer of rechargeable and battery-operated shavers using standard slide-on twin blades.

Unlike most shaver manufacturers, Freedom Blade offers one model for both men and women but in three colors.

Manufacturers such as Norelco and Braun and Panasonic all offer separate models for men and women.

Norelco, for example, which has long offered shavers to the female market, in corded and rechargeable models, will begin offering wet/dry models this summer to appeal to the large majority of women who shave in the shower, explained Bob Pape, general manager of the personal care group. And all seven of the men's models will be offered in Norelco's special lift and cut system.

Braun, which entered the U.S. shaver market two years ago, offers corded and rechargeables for a dry shave only since it perceives its greatest opportunity is in converting wet shavers to dry shavers, reported Richard Cantwell, marketing manager for Braun.

And Panasonic, which entered the rechargeable market in 1984, intends to continue developing the wet/dry shaving system to tap the huge segment of consumers who prefer a wet shave, said Bob Parson, general manager of personal care division.

A relatively new shaving system, Epilady USA, which is addressed to the female market, offers consumers an electric hair removal appliance that features rotating coils that remove hair at the root. The system, for use on legs and forearms exclusively, leaves skin smooth for three to four weeks on average.

MANUFACTURER NEWS

JAMESTOWN, N.Y. — Ready-to-assemble (RTA) furniture manufacturer, **Bush Industries**, declared a 3-for-2 stock split to shareholders of record on April 4. Shareholders will be paid a 50 percent stock dividend on Class A and Class B common stock on April 18, 1988. The manufacturer's net income rose 121 percent for the year ended Dec. 31, 1987. Net sales gained 43 percent over 1986 levels to $93.5 million.

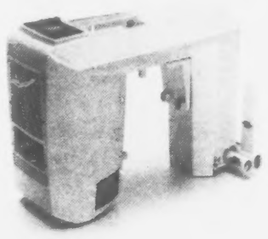
SEYMOUR, Indiana — **Lear Siegler Seymour Corp.**, maker of ironing and other housewares products, said it has acquired Worldsbest Industries, manufacturer of juvenile safety products and laundry-aid items. Seymour bought Worldsbest from Sklar Industries. Seymour will market Worldsbest under the Lady Seymour name. Worldsbest president, James Glenn will stay with the company as a Seymour vice president.

LANCASTER, Ohio — **Anchor Hocking Glass Co.** has selected Cleveland-based Young-Liggett-Stashower as the public relations representative for its household product lines, including beverage, baking and serving pieces.

* * *

CORNING, N.Y. — **Corning Glass Works** was honored by Target Stores, thus receiving the 1987 Vendor Award of Excellence. The award was presented to the manufacturer by Target president, Robert Ulrich; senior vice president, general merchandise manager, Robert Geulich; merchandise manager John Tully; senior buyer, Robert Giampietro; and buyer Camille Thomas. Charles Peifer, Corning's vp, housewares sales, said the company had determined early in 1987 that it would do everything possible to excell in areas that Target used as yardsticks in selecting which vendor would be the award recipient.

Find out what's creating all the stir.



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Ames Positions Bargain World For Growth in Urban Areas

(Continued from page 3)

"A lot of our customers shop once a day," said Murphy senior vice president, administration Jim Brainerd. "Therefore, we have to stock a mixture of everyday basics and convenience products."

In contrast to the usual discount "cheap and deep" approach, Bargain World has deliberately chosen a "cheap and shallow" concept for its apparel assortment. "We want our customers to see something new every day," Brainerd said.

Basics include paper towels (45 cents a roll), analgesics (at Murphy prices) and a wide variety of detergents and cleansers, while convenience products include sodas, milk, candy and often-used food items like spaghetti sauce and canned vegetables.

"Low-income, inner city customers have traditionally had to pay much more for basic products than suburban shoppers," Brainerd noted. "Since most retailers have left the inner city, remaining ones expect to be 'rewarded' for staying in the form of higher prices."

Ames and Murphy saw an opportunity there, and Bargain World was developed to appeal to lower-income markets. "We concentrate on most-wanted items at fair prices," Brainerd said. "Those are the items most often marked up at inner city stores."

The stores' large apparel departments feature closeout merchandise. "We could offer fantastic bargains on other products, but our customers couldn't afford them," Brainerd said.

Therefore, virtually everything in the store costs less than $10, and only a few products are priced at more than $15. Clothing is very basic, limited mainly to T-shirts and slacks. Women's and children's apparel makes up the majority of the selection.

In keeping with Bargain World's bare-bones image, each store can be run by as few as three employees and store fixturing is kept simple, basic and inexpensive. Most shelving was purchased from the same supplier that provides Ames' fixtures, guaranteeing a lower price.

"That's one advantage of having Ames behind us," Brainerd said. "It gives us buying clout that a new operation wouldn't have."

Bargain World also features a relatively extensive home furnishings department. The chain offers very inexpensive linoleum tiles, rugs, sheets, pillows, comforters and other furnishings. The accent is on fix-up type products designed to make homes habitable, not necessarily fashionable.

Murphy feels that Bargain World will fill a vacuum. "No one is aiming at this market," Brainerd said. "Consequently, the urban poor have been forced to spend far more than those better off for the necessities of life."

Murphy's president McKitrick noted that Bargain World was only one element of a "redefinition of the variety store" by the company. McKitrick and his management team are also refocusing the product mix at the G.C. Murphy variety stores. According to McKitrick, such "high-ticket, low-margin" items as cameras, watches, electronics and records will be dropped and more traditional product areas, like stationery and giftware, will be expanded.

Family Dollar Eyes Profits

(Continued from page 3)

Hard goods will be scrutinized for items that require narrow margins but do not contribute much to store traffic levels. No one category was singled out as having an inordinately high amount of these products, Mahoney said.

Like many discounters, Family Dollar has sold private label health and beauty aids, paint, motor oil, and other merchandise for years; recently the chain launched two, new private label goods that are likely to be just the start of an intensified campaign.

Private label photographic film and soft drinks are among the new products the chain has recently explored. Film was added during the first quarter of 1988 and private label cola was brought into stores about two weeks ago. Expansion of private label apparel and consumables are in the works, Mahoney said.

Two-zone pricing will be in place by the end of the company's fiscal year, Aug. 31. This strategy should boost gross profit margins by trimming prices only in markets that warrant cut backs. "Competition is obviously one of the primary factors of the zone pricing," said Mahoney.

Family Dollar reported a 22 percent sales jump to $178.9 million from $146.7 million for the second quarter ended Feb. 29, 1988. Net income rose by 14 percent to $9.3 million from $8.1 million.

For the six months ended Feb. 29, sales were up 19 percent to $325.4 million and net income was $14.0 million, up 2 percent from the same six-month period last year.

Strong sales performance only partly contributed to the higher net income. A sharply lower federal income tax rate contributed to an improved bottom line. The effective tax rate during the second quarter of 1988 was 38.2 percent compared to 46.3 percent.

The company bought back over 1 million of its shares of common stock at about $8.50 per share during the last quarter of 1987 due to what it believed was a depressed value of its stock.

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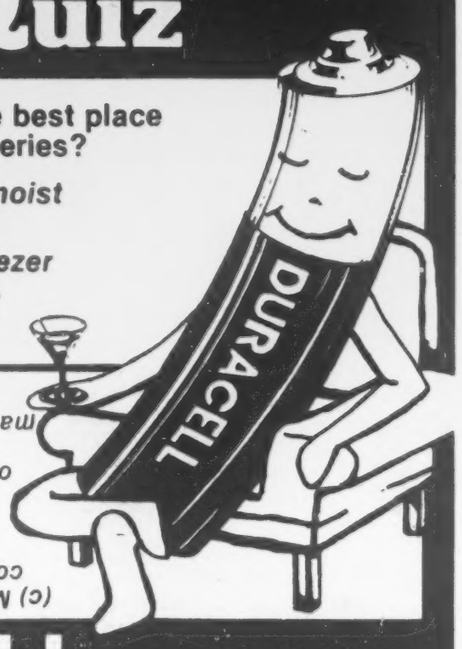
b. An Icy freezer
c. A cool dry location

A. (c) Make them feel comfortable in a cool, dry location. This will assure optimum power output and maximum service life.



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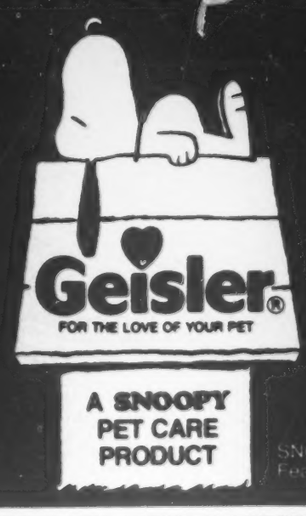

A SNOOPY PET CARE PRODUCT

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Sears to Battle CE Specialists With Stand-Alone Superstores

By Laura Liebeck

CHICAGO — Sears is taking on the appliance and consumer electronics superstores at their own game.

The retailer announced last month that it will create appliance and CE "superstore" departments and then spin off the concept into freestanding stores to compete with such specialty retailers as Silo, Luskins, Highland, and Circuit City. Sears also announced that it will create freestanding auto service centers.

The superstores will be fashioned much like the appliance and CE stores available now, offering many popular brands in addition to Sears' own labels. The stores will bear the Sears name.

"We will not permit the so-called superstore to usurp one of our strongest businesses," said Michael Bozic, chairman and chief executive officer of Sears merchandise group. "We will do whatever is necessary to strengthen our position as America's premier retailer of appliances and home entertainment products."

Bozic made his remarks to an audience of financial analysts who were assembled here following the retail giant's announcement that the company suffered a 37.7 percent decline in profits in the first quarter—from all segments except financial services.

While net income for the quarter fell

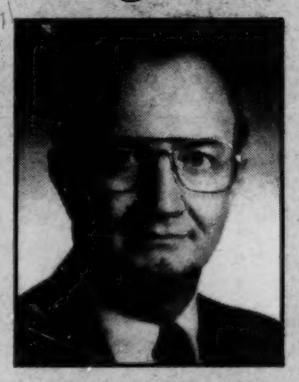
(Continued on page 118)

K mart Splits Specialty Divisions

Parkin to Oversee High-Growth Warehouses

By Kenneth M. Chanko

TROY, Mich. — K mart's $3 billion-plus specialty retailing division has split up into three separate entities in the wake of Frederick Stevens' departure as executive vice president of specialty retailing.



Larry M. Parkin

Larry Parkin, former executive vp for U.S. K mart Stores, has been named executive vp for warehouse and grocery operations. In the newly created post, Parkin will oversee the development of K mart's hypermarket venture, American Fare. He will also have responsibility for Makro, the five-unit warehouse club in which K mart recently bought a 51 percent stake, and Builders Square, the home center subsidiary through which two new specialty concepts—a sporting goods warehouse and an office supplies chain—are being developed.

Parkin, 53, will also remain a director of the company and will re-

(Continued on page 117)

Auto Buyers Cast Wary Eye on Antifreeze Shortage, Price Rise

By Richard C. Halverson
Nationwide DSN Report

Automotives buyers are far from panicking in the face of vendor warnings that they'd better order antifreeze now to ensure adequate supplies in the peak fall season and to beat still more price increases.

Instead, they appear to be discounting vendor talk of an antifreeze shortage and unwilling to order early to beat additional price increases—either already announced or widely expected by fall.

"I'm just listening to stories about shortages and price increases and not doing anything yet," said Nelson Phillips, buyer for Quality Farm & Fleet, the 47-store discount chain based in North Muskegon, Mich.

"Vendors are great about forecasting price increases that may or may not take place. The only thing I know for sure is that the plastic bottle that antifreeze comes in costs more because the resins cost more," he said.

Phillips said he will take a look at all suppliers by the end of May and decide then what he's willing to pay. However, he recognizes that an antifreeze shortage could develop.

"Nobody knows how the situation will shake out."

There is a worldwide shortage of ethylene, a basic raw material for ethylene glycol antifreeze. And manufactur-

(Continued on page 118)

Ethylene shortages are causing antifreeze prices to boil. Yet buyers aren't ordering early to beat further increases. (DSN photo)

IMRA Goes to Nashville

Country music may get the press, but retailing carries the tune in Nashville, a city of seeming contradictions: a Southern city with a Midwestern flavor; an understored market with fierce discounter competition; a city with a strong tourist trade yet dependent on printing, river trade and a wide variety of small businesses. As part of a preview of the International Mass Retail Association's 1988 convention, DSN explores discount retailing in Nashville. A look at convention activities, including a pull-out schedule, and other pre-convention coverage starts on page 47.

Antonini Reveals K mart's Vision: Be Most Efficient Retailer in U.S.

NEW YORK — New forms of retailing, extensive automation, and the physical presence of 128 million square feet of retail space are the blocks upon which chairman Joseph Antonini is building the K mart of the 1990s.

"The most successful retailers in the United States tomorrow will be the ones with the most-effective, low-cost base of operations in place," said Antonini to more than 140 analysts and reporters at a meeting sponsored by The New York Society of Security Analysts on April 28.

Antonini said that "K mart will have the most advanced, pro-active, complete 21st century data collection and communications system in the entire retail field." By 1990, each of the 2,200-plus K mart stores will be able to record every sale of every item each day and to transmit that data via satellite to the chain's Troy, Mich., headquarters.

Implementation of the chainwide point-of-sale system, along with a satellite communications network, will enable K mart to centralize merchandising functions at headquarters. Antonini said that hosiery recently was added to the centrally merchandised apparel system. The chain plans to soon add bed & bath and curtains & drapery to the apparel system, he said.

In the hard goods area, K mart headquarters this

(Continued on page 118)

Shewmaker Honored, Roasted

By Tony Lisanti

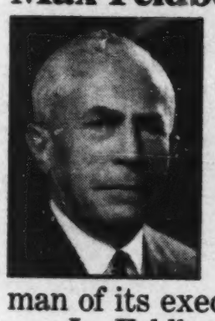
SPRINGFIELD, Mo. — Jack Shewmaker, who retired from his post as vice chairman and chief financial officer of Wal-Mart Stores in February, was honored by his peers at a gala dinner held here April 28 in the Howard Johnson Exposition Hall. The tribute, co-sponsored by Wal-Mart and Students In Free Enterprise (SIFE), attracted over 400 retail executives, friends and family. With his wife, Melba, at his side, Shewmaker was roasted by 12 of his business associates. Wal-Mart chairman Sam Walton,

(Continued on page 4)

Off-Price Chain Census | *NHMA Housewares Study Results* | *'Hands-On' Works At Pep Boys* | *Factory Outlet Malls*

MARKETWATCH

Max Feldberg, Was Co-founder of Zayre



FRAMINGHAM, MASS. — Max Feldberg, co-founder of Zayre, died at age 90 in Boston on April 26. Feldberg and his brother Morris, founded Zayre in 1956, with its first stores in Boston and Hyannis, Mass. Morris Feldberg died in 1969. Max Feldberg's son, Stanley, serves on the Zayre board as vice chairman of its executive committee, while his nephew, Sumner L. Feldberg (Morris Feldberg's son), serves on the board as chairman of its executive committee. Another family member, Sumner Feldberg's nephew, John Levy, is executive vice president of the Zayre Corp. and group executive for Zayre's BJ's Wholesale Club operation.

Moody's Cuts May's Debt Rating

NEW YORK — Moody's Investors Service cut the rating on May Department Stores' long-term debt, citing the increase in debt stemming from buying Foley's and Filene's from Federated Department Stores. The reduction affects $940 million in long-term debt of May, parent of Venture and Caldor. May bought the two chains from Federated for $1.5 billion and financed the entire package, Moody's said. The debt rating service predicted, however, that May "will be able to increase profitability" from its latest acquisitions, thanks to experienced management and further overhead and buying economies.

Bradlees Opens 1st Unit In Cape Cod

FALMOUTH, Mass. — Bradlees, the Braintree, Mass.-based discounter, opened its first store of 1988 in this Cape Cod market last month. Future expansion plans have not been disclosed. The store, a new company prototype, features 62,200 square feet, compared to the previous 53,00-square-foot Bradlees unit. Located in the Falmouth Mall, Bradlees is offering a merchandise mix that caters to the lifestyles and tastes of the Cape Cod community. For example, the merchandise assortment features more resort-oriented merchandise such as casual clothing and patio furnishings than the typical Bradlees location, according to a company spokeswoman. Bradlees operates 168 discount department stores in 10 states in the East.

Costco Pulls Out of Midwest Markets

KIRKLAND, Wash. — Costco Wholesale has announced it is pulling completely out of the Midwest market with the closing of two warehouses in Minneapolis and one site in Milwaukee. Costco said it had been in the Midwest for 18 months, but all three warehouses have been unprofitable since their openings and will be closed by early May. The company estimates the closing costs will not exceed $5.5 million and will be included in results for Costco's third quarter, which ended May 8. The membership warehouse club said it will be left with 40 locations and from this base it intends to expand primarily in existing markets during the remainder of the calendar year. The company said it will open 16 to 20 locations during the year, including one entry into Honolulu—a new market for Costco.

Wholesale Club Plans Midwest Expansion

INDIANAPOLIS — At the same time that Costco is pulling out of the Midwest, another membership warehouse club is expanding there. The Wholesale Club, based here, announced it signed a development agreement for a new cash-and-carry warehouse in Canton, Ohio. The 103,000-square-foot store scheduled to open in late summer will be the chain's 17th unit and seventh in the state of Ohio. Last month, The Wholesale Club opened its third Indianapolis area warehouse. "We continue to be pleased with the performance of all 16 warehouses," said John Geisse, chairman. "We've found the upper Midwest receptive to the wholesale club concept and we are committed to stay in these locations. Other Wholesale Club units are located in Wisconsin and Minnesota.

All American SportsClub Closes 2 Units

LOS ANGELES — Following on the heels of a Chapter 11 bankruptcy filing in late February, All American SportsClub has closed two of its eight locations. Sites in Burbank and San Mateo—in Southern and Northern California respectively—were closed on April 10. When the chain filed bankruptcy, there was no mention made of closing any stores, however SportsClub said at the time it would try to stabilize the firm while paying off vendors.

Zayre Adopts Shareholder Rights Plan

FRAMINGHAM, Mass. — Zayre Corp., the subject of takeover speculation for months, last month adopted a new shareholder rights plan providing additional protection against "abusive takeover tactics," such as partial tender offers and selective open market purchases.

Nichols, Heck's & Dart Group Hit BizWeek's Undervalued Stock List

NEW YORK — Heck's, S.E. Nichols and the Dart Group all made *Business Week's* 1988 list of the market's 200 most undervalued stocks—making at least the first two possible takeover targets.

Heck's, now in Chapter 11 bankruptcy, ranks No. 23, and Nichols, which recently announced plans to raise additional capital, ranks No. 33. Dart Group, a frequent raider of such companies as Stop & Shop, Bradlees' parent, and operator of Crown Books and Trak Auto, ranks No. 42 out of 200.

In its annual ranking, published in its April 15 issue, *Business Week* compared the market value of the company's stock as a percentage of its book value.

On that basis, the $14 million market value of Heck's stock represents 45 percent of book value. Nichols' market value of $28 million equals 54 percent of book. The market values Dart, whose class B voting stock is controlled by the Haft family, at $129 million, equal to 58 percent of book.

Perceived "value" of stocks is propelling the "new wave of takeovers," the business magazine said.

As its 1987 list of undervalued stocks suggested, severe undervaluation "is tracked as an indicator of susceptibility to takeover or buyout," *Business Week* said.

"Some 14 companies on it have merged, been taken private or are currently in play," the magazine said.

Among the top 200 merger or leveraged buyout deals of 1987, *Business Week* listed two involving companies that Dart attempted to raid, Southland Corp. and Supermarkets General. Both went private to escape the grasp of Herbert Haft and his son, Robert, who tightly control the Dart Group. Southland's $4 billion LBO ranked No. 2; Supermarkets General's $1.8 billion LBO ranked No. 12.

(The $1.3 billion LBO that Bradlees' parent, Stop & Shop engineered to avoid Dart's clutches earlier this year promises to be one of the top deals in 1988.)

On the other end of the scale, the two largest discount retailers were high on *Business Week's* list of the top 1,000 corporations, in terms of each company's market value.

Wal-Mart ranked No. 15, with stock value of $16.8 billion, sales of $15.96 billion and profits of $627.6 million. K mart came in at No. 54; stock value, $7.38 billion, sales of $25.96 billion, profits, $692.2 million. Specialty discounter Toys "R" Us ranked No. 115; value, $4.54 billion, sales of $3.14 billion, profits, $203.9 million.

On a list of the top 25 corporate executives to keep an eye on, *Business Week* ranked one discounter, K mart chairman Joseph Antonini. His challenge: "Keep the mammoth chain growing."

Revco D.S. Nears Completion of Deal To Sell Troubled Odd-Lot Subsidiary

TWINSBURG, Ohio — Revco D.S. announced that it is negotiating with a potential buyer for its troubled Odd-Lot Trading subsidiary and expects to close a deal by the end of June.

Odd-Lot, Elizabeth, N.J., has shrunk to 104 stores from a high of 153 stores in 1986. Sales totaled an estimated $200 million in 1985, but a Revco spokeswoman said no recent sales figures are readily available. The spokeswoman declined to name the potential buyer or even say whether it is another retailer.

Revco said the Odd-Lot sale, along with those of other operations, are part of an overall restructuring to cut debt acquired when the drug chain went private in December 1986. The company then announced it would divest all non-drug related operations.

Earlier this year, Odd-Lot closed all 25 of its stores in Michigan. And it has pulled out of Ohio and Florida.

It currently operates 51 stores in New York, 25 in New Jersey, 13 in Connecticut, 10 in Pennsylvania and five stores in Connecticut.

Odd-Lot overextended itself geographically, said a New York-based broker of closeout goods. "There are only so many closeout goods available," he said.

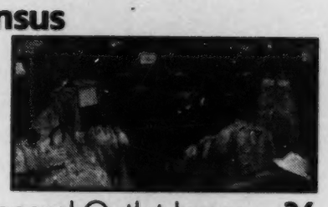
A competitor, Consolidated Stores, Columbus, Ohio, can operate more than 300 closeout stores in 11 states because it swings a "two-edged sword:" it operates both wholesale and retail. With its enormous buying power, Consolidated can buy large quantities and wholesale what is surplus for its own stores, the broker said.

Even so, Consolidated encountered a setback last year when it opened so many stores that it ran short of closeout goods and customers stopped coming in (see story, page 20).

IN THIS ISSUE

APPAREL 29

Off-Price Chain Census
Leading Off-Pricers Move Upscale 29
TJX Cos. Now Largest Off-Price Chain 34



Off-Pricer Canda Sheds Apparel Outlet Image 36
Lingerie Factory Takes Off-Pricing Approach 38
Private Label: Important Tool in Retailers' Mix 43

HOME PRODUCTS 67

NHMA Study Reveals Top Growth Categories 67
Recording Industry vs. DAT Recorders 67

HARD LINES 83

Hands-On Managers Propel Pep Boys' Success 83
Pep Boys to Re-Enter N.C. in '88 Expansion 83
K mart to Phase Out Toy Gun Look-Alikes 85
Ames' Office Shop Courts Business Owners 86
Hardware Takes on Fashion Appeal 91

INSIGHTS 99

Factory Outlet Malls: The Ultimate Discounters 99
Potomac Mills Mall Puts on the Glitz 102

FEATURES

Large-Size Venture: Last of a Breed 18
Consolidated Retrenches for Profits 20
1988 IMRA Show Preview 47
Discounters Look Ahead to Nashville 47
1988 IMRA Program of Events 50
Convention Exhibitor List and Floor Plan 52
Sporting Events: Last Year's Players 54

Market Study: Nashville 59
Discounters Carry the Tune in Nashville Market 60
A Guided Tour to Local Discounters 64

DEPARTMENTS

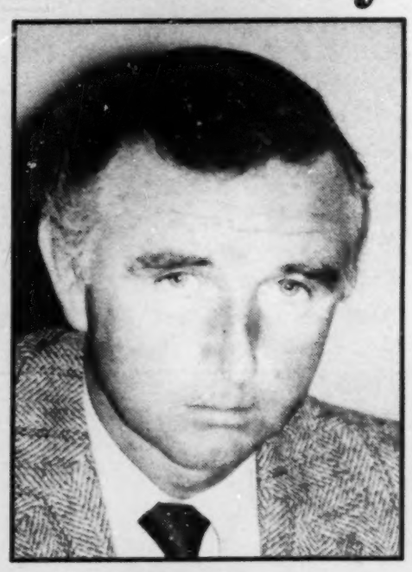
Ad Activity Survey: Consumer Electronics 75
At the Source: Home Products 78; Hard Lines 96
Classified 107
Columns: Washington Report 6; Prevention Pays 24; Off the Shelf 86
Editorial 6
Finance Watch 114
Manufacturer News: Home Products 73; Hard Lines 92
MarketWatch: Apparel 29; Home Products 67; Hard Lines 83
Retail Management Development Series 110

Yellow Front Incorporates Bonanza; Seeks Diversity

By Pamela Krein

PHOENIX, Ariz. — Yellow Front, the 170-unit discount and variety chain here, will absorb its 64 recently-acquired Bonanza stores this month during a grand opening event.

The retailer, which is reworking its product mix and advertising approach, is also looking to diversify into specialty concepts, including crafts and apparel operations, said president Sean Lee.



Sean Lee

Yellow Front, with most of its stores in the Southwest, acquired Bonanza last year for an undisclosed amount. The 64 stores which it took control of in December expanded Yellow Front's presence into markets as far north as Washington state.

(Continued on page 117)

Pep Boys Heads Out From Atlanta Expansion Hub: To Re-Enter N.C.

By Richard C. Halverson

PHILADELPHIA — In a major expansion move for 1988, Pep Boys—Manny, Moe & Jack, plans to re-enter the North Carolina market after an absence of nine years, *DSN* has learned.

In addition, the chain intends to add eight more stores this year in Atlanta, which it entered last September with four stores, pushing the store count in its Southern expansion hub to 15.

Looking ahead to 1989, Pep Boys plans to push north from its Dallas expansion hub and open four Oklahoma City stores in the first quarter, followed six months later by three in Tulsa, Texas.

Oklahoma City real estate records show that the Los Angeles real estate office of Pep Boys, which is handling the Oklahoma expansion, already has purchased two sites in the Oklahoma City area, one on Walker Avenue at I-240, next to a Builders Square home center unit, and another in the suburb of Midwest City.

Pep Boys also is looking at locations in the northwest and north central sections of Oklahoma City, a real estate broker said.

Pep Boys' real estate office in Atlanta is handling the North Carolina expansion, while its distribution center in Bridgeport, N.J., will supply the new stores, as it does the Atlanta units, sources within the company said.

Pep Boys apparently intends to open its first North Carolina units in Charlotte, which it left in 1979, during the second half of the year.

Thanks to banking deregulations, Charlotte has become a banking center for the entire Southeast.

Economic Perspectives, a market research firm in Delaware, Ohio, predicts in its "State & Metropolitan Retail Forecast," that through 1992 North Carolina will enjoy the highest retail sales growth of 19 states studied.

The higher retail growth rate will stem from both strong in-migration of population and a relatively low per capita retail sales level that leaves plenty of room to catch up with the rest of the nation, the research firm said.

(Continued on page 83)

Camera Technique Shows Cleveland Store in Makrocosm

CINCINNATI — Borrowing a technique used in the motion picture "Return of the Jedi," the advertising agency designing a campaign to introduce Makro to the Cleveland market, created a commercial that figuratively "flies" the viewer up and down the aisles of the cavernous membership warehouse store.

Makro, the European-style membership warehouse chain based here, opened its initial Cleveland store on May 4. But, to draw the large opening day crowds that the 150,000-square-foot units typically attract, Makro executives felt it necessary to differentiate their store from other types of warehouse clubs.

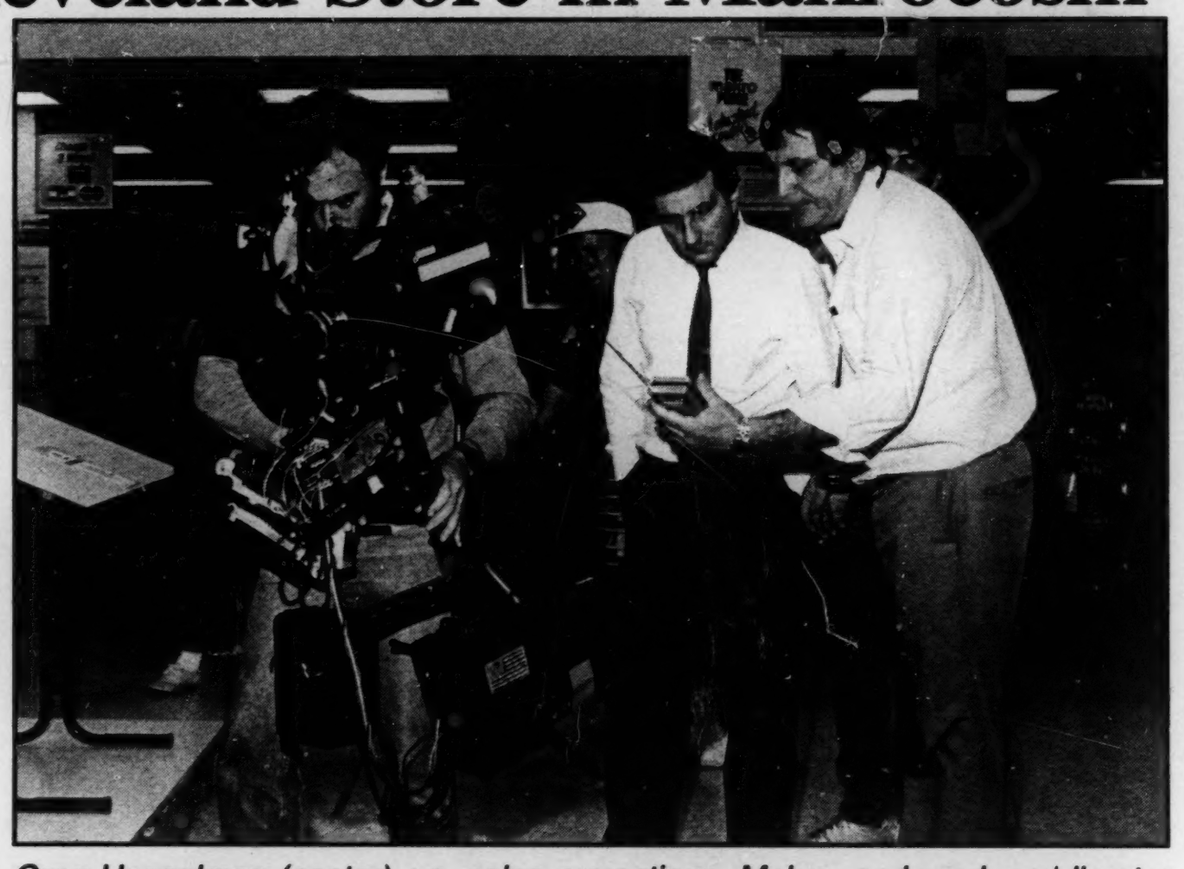
"Preparing to open our first store in Cleveland, we had to set our operation apart from the average warehouse club," said Greg Hanselman, vice president, sales promotion for Makro USA, which is 51 percent owned by discount giant K mart, and 49 percent owned by its Dutch parent, SHV Holdings. "We stock everything from fresh meats and produce to office supplies, garden tractors, crystal, fashions, and sporting goods. We had to convey this on the 19-inch screen in 30 seconds."

To illustrate "30,000 items in 30 seconds," Makro's advertising agency, Ehrlich Manes & Associates of Washington D.C., borrowed a camera technique first used in the "Star Wars" finale, "Return of the Jedi."

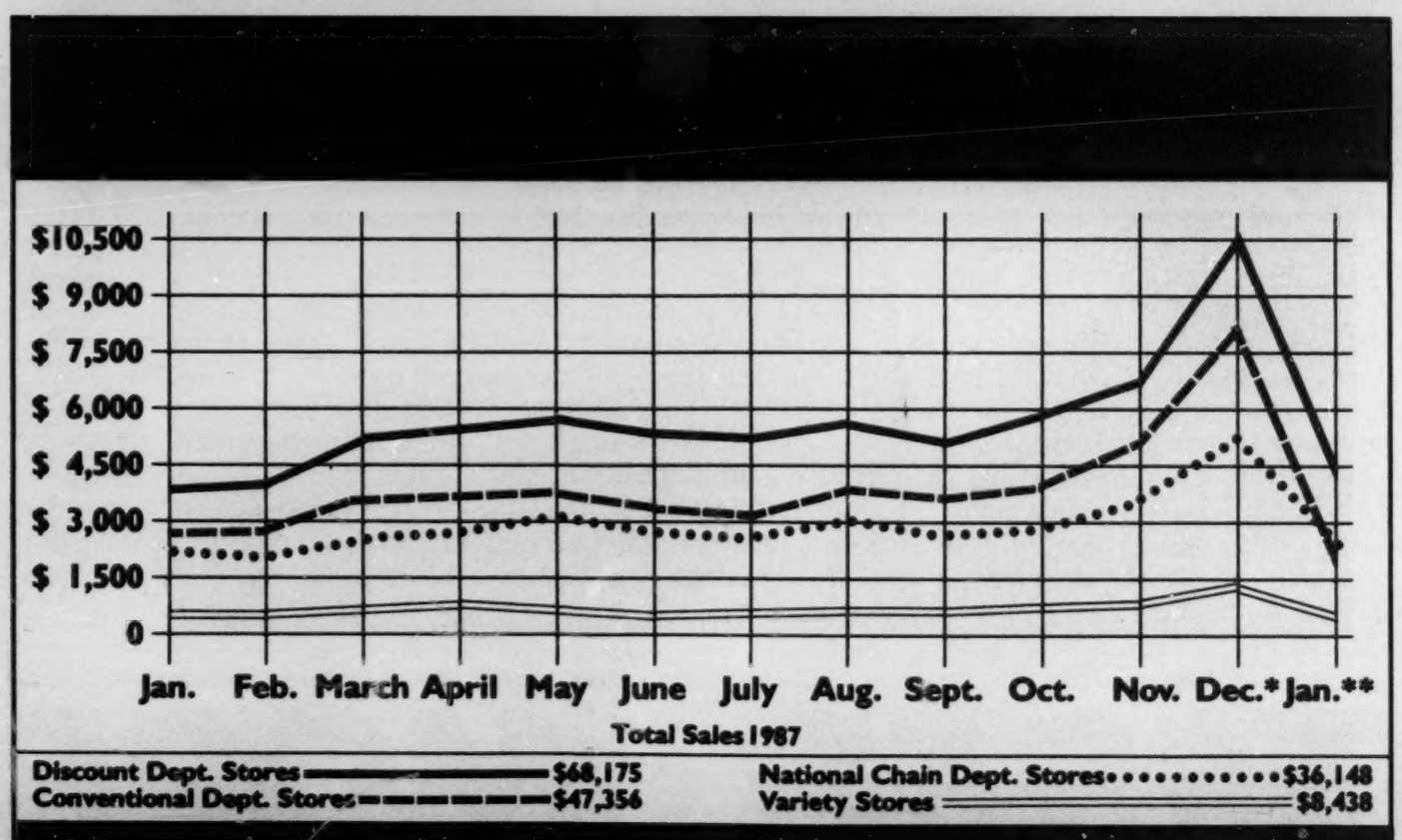
Producer/director Zoltan Toth of ZT and Associates used a wide angle lens on a 16mm motion picture camera that was mounted on a SteadyCam unit. Invented by Garrett Brown, a Philadelphia cameraman, the SteadyCam allows the director to make long tracking shots without having to construct tracks for a camera dolly. In the hit motion picture, the camera was used to film the breathtaking aerial chase through the oversized woods on the planet Endor.

In Makro's TV commercial, undercranking, or shooting at 12 frames per second rather than the normal 24

(Continued on page 118)



Greg Hanselman (center), vp, sales promotions, Makro, and producer/director Zoltan Toth (right) prepare for filming of '30,000 items in 30-seconds' TV ad.



Discounter Sales Rise 11.1% in Jan.

Nationwide DSN Report

Discount department store retailers sold 11.1 percent more merchandise in January than they did during the same month one year ago, according to the monthly retail trade report released last month by the U.S. Census Bureau. That increase outpaced by a wide margin the 3.4 percent total sales gain recorded by all retailers (excluding auto sales) in January.

Discounters sold an unadjusted $4.2 billion worth of merchandise during the first month of the year, compared to $3.8 billion a year ago. January 1988 sales were 60 percent below December 1987—the Christmas selling season.

January's sales declined so dramatically because the figures constitute raw data. There is not a seasonal adjustment factor for discount department stores which is used to smooth out the normal highs and lows in the retail sales calendar. A formula will not be applied for at least

(Continued on page 118)

Half-Pint Toy Giant Pursues Small Market Growth Plan

By Josephine Fiamingo

WAREHAM, Mass. — Tons of Toys, the 15-store specialty chain based here, announced plans to open three more stores in New England, continuing its strategy to pursue growth in secondary markets where competition is not as intense as in major cities.

Two stores will open this month in Milford and Marlboro, Mass., and its second Cape Cod toy store will debut in June in Falmouth, Mass.

In March, the growing chain opened a unit in Rockland, Maine, followed by a Nashua, N.H., store which opened April 16. An unspecified number of store openings are planned for this fall.

Mainly, expansion has been fueled by funds the toy chain obtained when it went public last May. Sales for the most recent eight month period between June, 1987 and Jan. 31, 1988, were $10.4 million.

The toy specialty retailer was founded in 1981 and operates moderate-size toy supermarkets of 12,000 square feet in medium-size markets.

According to president and chairman Bruno Ferretti, a former executive at Avon, Mass.-based Child World, Tons of Toys deliberately avoids major metro markets where large competitors such as Toys "R" Us and Child World are located.

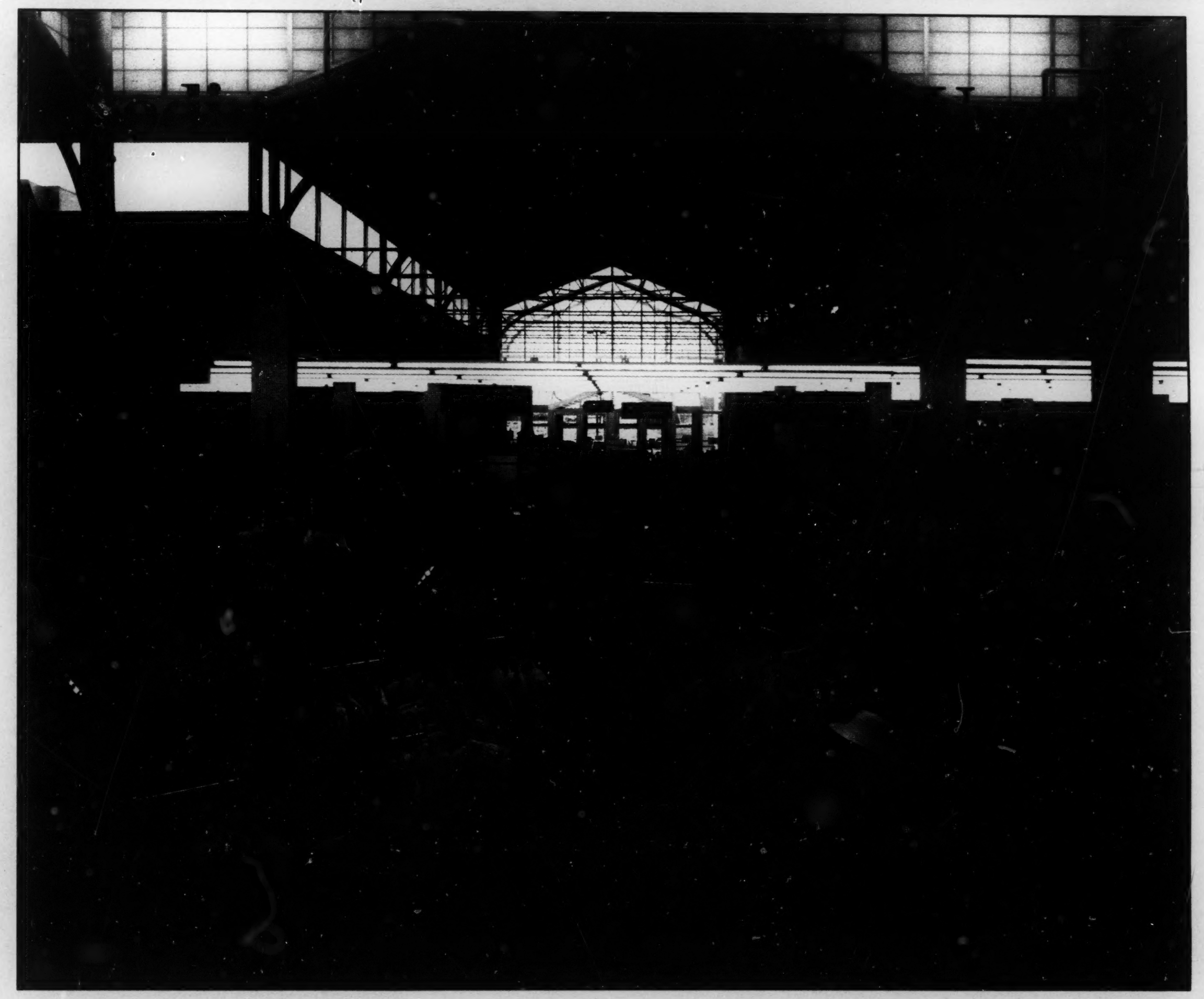
"I realized long ago, during my 30 years in the retail business, that I could not start a chain that would directly compete with the toy giants. I knew that I would have to come up with an alternative strategy," said Ferretti, who in 1969 was one of three managers charged with developing a toy supermarket subsidiary called Spree for Zayre Corp. Ferretti, who earlier served as a toy buyer for 13 years with Lechmere, the Dayton Hudson hard lines chain, acknowledged that the failed Spree experiment taught him a lesson.

"Even though nine stores opened in two years, the project failed because the stores tried to emulate the toy giants too closely and were placed in markets to directly compete with them," he said.

According to Ferretti, Tons of Toys' 12,000-square-foot

(Continued on page 118)

Apparel



Apparel off-pricers continue to upscale store environments. Burlington Coat Factory, North Brunswick, N.J., uses department store-like fixtures and displays.

By Kenneth M. Chanko
Nationwide DSN Report

Fashionable, brand name apparel at the right price is no longer the credo for just the department and specialty store. Retailers in the increasingly competitive off-price apparel market are now pursuing that often elusive formula.

In-depth, high-profile branded assortments and everyday value price points—not down-and-dirty promotional pricing of labels no one's ever heard of—is the key to success in today's off-price apparel game. The buzz-phrase on everyone's lips is "perceived value."

With that more sophisticated strategy has also come vigorous upscaling of store environments, which are beginning to resemble many popularly priced specialty stores.

Such trends are buttressed by the findings of an exclusive Jerard Less/*Discount Store News* study of the major players in the off-price apparel business.

The survey, which includes detailed responses from merchandise managers, as well as top executives of off-price chains, also shows that high-profile brand names are playing an increasingly important role in this market segment.

Best illustrating the changing mindset of off-price executives and merchandisers were their answers to the question: "What draws consumers to your store?"

(Continued on page 32)

MARKETWATCH

NEW YORK — Television advertising last year by footwear retailers and manufacturers jumped 42 percent to $93.8 million, according to the **Television Bureau of Advertising.** The greatest portion of the total was for retail TV advertising, with Payless Shoe Stores, a May Department Stores Co. division, the leading advertiser with $16.8 million in expenditures. Woolworth's Footlocker was second, and Kinney, also a Woolworth division, was third.

* * *

FRAMINGHAM, Mass. — **TJX Cos.** has increased its quarterly dividend to 12.5 cents a share from 7.5 cents, payable June 2 to holders of record May 12. The new rate is 50 cents on an annual basis. Zayre Corp. owns 82.9 percent of TJX, the off-price apparel unit consisting of T.J. Maxx, Hit or Miss and Chadwick's of Boston. A spokesman for Zayre and TJX said that an increased dividend is a "totally appropriate way for Zayre to receive cash from TJX."

* * *

RICHMOND, Va. — **S & K Famous Brands,** the men's wear off-pricer here, turned in record sales of $43.1 million for the year ended Jan. 30, 1988, a 10 percent increase over 1986. The 60-store off-pricer, which has units in 14 states, also saw operating income for the year jump 35 percent to a record $1.75 million, or 85 cents per share, a 35 percent jump over the prior year. S & K opened 13 new stores last year. Also last year, the retailer added Richard L. Sharp, president and chief executive officer of Circuit City Stores, to its board. Stuart Siegel, S & K chairman, said about 15 additional stores will open in 1988.

NEW YORK — **Kurt Salmon Associates,** the retail/manufacturer/textile consultant firm based here, will hold its annual financial breakfast and soft goods business review at the Grand Hyatt Hotel in Manhattan on May 26. Walter Loeb, retail analyst for Morgan Stanley, will discuss "The View From Wall Street," which will focus on the surge of mergers and buyouts and its effects. Consumer purchase trends and the consulting firm's retail profile will be covered, along with apparel and footwear profiles and the performances of public textile firms.

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